Guidelines Announced by RBI

3387. SHRI SURESH KALMADI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank of India has recently announced guidelines and procedure for enlistment of primary dealers in Government securities market; and

(b) if so, what are the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASEKHARA MURTHY): (a) Yes, Sir.

(b) The main objectives of the Primary Dealers System (PDS) in Government Securities are to:

(i) strengthen the infrastructure in order to encourage voluntary holding of Government securities amongst a wide investor base;?

(ii) to develop underwriting and market making capabilities for issue of Government securities outside the Reserve Bank of India so that the latter could gradually shed these functions. and

(iii) to make the Plimary Dealers System (PDS) an effective conduct for conducting open market operations.

Subsidiaries of banks or financial institutions and companies predominantly doing business in Government Securities market and having net owned funds of minimum of Rs. 50 crores are eligible to apply for Primary Dealership.

Premium on lapsed policies of LIC

3388. SHRI SATISH PRADHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that a notices issued to LIC on recommendation of CAG have been withdrawn; if so. the reasons thereof;

(b) whether it is a fact that LIC does not refund accrued premium on the lapsed policy;

(c) whether it is a fact that huge amount of matured policies have remained unclaimed by the policy holders as on date;

(d) whether the profit made on the premium of such lapsed policies will also be covered under concessional rate of taxes; and

(e) whether Government will consider the recovery of taxes at general rate of tax on such amount?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASEKHARA MURTHY): (a) Yes, Sir. On examination, it was found by the Central Board of Direct Taxes (CBDT) that the Assessing Officer was not legally competent to vary the Actuarial Valuation Report and hence he was instructed by the CBDT to drop the proceedings.

(b) to (e) The Life Insurance Corporation of India (LIC) have informed that a policy which lapses during early years does not acquire "Paid-up Value" due to initial expenses incurred by the LIC and the cost of risk cover provided during the period the policy in force. Therefore, LIC does not refund the accrued premium on the lapsed policies. The premium income not returned to the policyholders on the lapsed policies becomes a part of the "Life Fund". The surplus on actuarial valuation of Life Fund will be taxed at the rates specified in the Income Tax Act 1961. No proposal is under consideration to change the rate of tax on income accruing to the LIC on lapsed policies.